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WHA/CEN
EB FOR WCRAFT, BMANOGUE
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H FOR JHAGAN
STATE PASS TO USTR FOR RVARGO, NMOORJANI, AMALITO

E.O. 12958: N/A

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SUBJECT: ASIAN MARKETS LEAD 2005 COSTA RICAN EXPORT GROWTH

REF: SAN JOSE 1940

1. Summary. The Costa Rican Trade Promotion Corporation (PROCOMER) has reported that Costa Rican exports this year through October 2005 reached USD 5.77 billion, an increase of ten percent over the same period last year. The biggest increases were realized in exports of agricultural and technology products. Asia continues to be the fastest growing market as evidenced by the region's 64 percent increase in demand for Costa Rican products. Most notable is that in mid 2005 Hong Kong replaced the Netherlands as the number two destination for Costa Rican exports. China is also an important market for Costa Rica at position 6, while Taiwan occupies position 16. End Summary.

2. Costa Rican exports no longer are limited to two or three agricultural crops as was the case only a generation ago when coffee and bananas were the principal Costa Rican exports. Now 1,800 companies export more than 3,600 products. While overall agricultural exports grew 5.6 percent, performance was uneven among different crops. In fact, banana exports, which remain Costa Rica's most important agricultural export, declined 13.4 percent. Manufacturing sector exports grew 12.7 percent led by a 25 percent increase in shipments of electronic integrated circuits and microassemblies.

3. Export growth to Asian markets was most pronounced during the period; as a result, 14.4 percent or USD 829 million of Costa Rican exports were destined for Asia through October 2005. This marked a growth of 64 percent over the same period last year. Based on more recent data through November 2005, Hong Kong led the pack as demand there for Costa Rican products grew 267 percent to USD 421 million, supplanting the Netherlands as the number two destination for Costa Rican exports. Hong Kong remains a distant second to the U.S. as an export destination; the U.S. purchased 40.3 percent of Costa Rican exports during the period in question. However, growth of exports to the U.S. market through that period was 0.4 percent to USD 2.6 billion.

4. Through November 2005, exports to China grew 61 percent to USD 226 million, and to Taiwan 140 percent, to USD 78 million. Top exports to Asia included semiconductors, modular and integrated circuits, and radiographic telecommunications equipment.

5. Costa Rica registered double-digit export growth to several other countries and regions through November, as follows: 31 percent to the Netherlands (the number three destination with a value of USD 405 million); 60 percent to Canada (an FTA partner but only the twentieth largest destination for Costa Rican goods, at USD 49 million); a 13.8 percent increase to the other CAFTA-DR countries (excluding the U.S.) to just over USD 1 billion, and 12.3 percent to the Caribbean region.

6. COMMENT: To put the current share of Asia's demand for Costa Rican goods in perspective, it is interesting to note that if taken together as a trading bloc, CAFTA-DR countries excluding the U.S. would constitute the number two destination for Costa Rican exports, more than double that of Hong Kong and approximately quadruple that of China. END COMMENT.

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